

GLOBAL BRANDS EQUITY STRATEGY

Q3 2018 UPDATE

PERFORMANCE	1 MONTH (%)	Q3 2018 (%)	1 YEAR (%)	3 YEARS P.A. (%)	5 YEARS P.A. (%)
GLOBAL BRANDS EQUITY STRATEGY* (NET OF FEES)	0.13	2.87	8.23	7.78	10.42
MSCI WORLD INDEX	0.73	5.53	13.22	12.05	12.52

Source: Davy Asset Management (Class A Acc EUR) and Bloomberg as at 28th September 2018.

*The Global Brands Equity Fund was launched on 12th December 2014. Investors should note the Global Brands Equity Fund (UCITS) is newly established. The past performance reflects past performance data relating to the Global Brands Equity Fund (non-UCITS) which merged with the Global Brands Equity Fund (UCITS) (the "Merger"). Prior to the Merger when the Fund was not authorised as a UCITS, the investment policy, strategy and portfolio composition were largely the same. In the circumstances, the past performance data included in this document is believed to be an appropriate reference for investors.

FUND OVERVIEW

The aim of the **Global Brands Equity Fund** (the 'Fund') is to provide investors with long term capital growth by investing on a global basis in shares of companies which have strong brand characteristics. Such companies are expected to have competitive advantages including dominant market share and/or unique product characteristics that provide the potential for growth globally.

FUND PERFORMANCE

The Fund returned 2.87% in 3Q18 compared with the MSCI World Index return of 5.53%. The Fund underperformed the MSCI World Index by 2.66% in the 3Q18 and by 0.60% in September. Over the last 12 months the Fund underperformed the Index by 4.99%, returning 8.23% compared to the MSCI World Index return of 13.22%.

Stock Selection (-2.2%) contributed negatively to performance during 3Q18. Significant contributors and detractors to performance during the quarter were **Royal Caribbean** (+0.5%), **Starbucks** (+0.3%), **Amazon** (-0.6%) and **Newell Brands** (-0.5%). Royal Caribbean reported strong 2Q18 results and announced the acquisition of Silversea Cruises to expand its presence in the luxury segment of the market. Starbucks management responded to recent sales weakness by announcing a new partnership with Nestle in packaged coffee and by announcing a new delivery partnership with Alibaba in China. Amazon scores poorly on our proprietary QUALITY model which ranks the company in the 6th decile due to low profitability and returns. Newell Brands is currently undergoing a rationalisation of its product portfolio which we believe will ultimately result in a more streamlined, higher growth and higher margin business. However, the company revised down full year EPS guidance as cash raised through the disposal program is being used for debt paydown rather than share buybacks initially.

Asset Allocation had a -0.4% impact on relative performance during the quarter. The performance was driven by our overweight positions in Consumer Staples (-0.5%) and Consumer Discretionary (-0.1%) and underweight position in Healthcare (-0.5%), partially offset by underweight positions in Energy (+0.3%), Materials (+0.3%), Financials (+0.2%) and Real Estate (+0.2%).

SAMPLE PORTFOLIO TRANSACTIONS

The Fund was active during the quarter, adding a new position in IQVIA, adding to existing positions in Alibaba, Brown-Forman and Informa while reducing exposure to UPS and Royal Caribbean.

The Fund remains defensively positioned with the aim of delivering asymmetric risk reward over time. We remain committed to owning high quality companies that exhibit pricing power and generate high operating returns on invested capital, combined with attractive structural growth opportunities. We continue to find attractive investment opportunities in companies with strong fundamentals at reasonable valuations.

CALENDAR YEAR PERFORMANCE	2017 (%)	2016 (%)	2015 (%)	2014 (%)	2013 (%)
Global Brands Equity Strategy (Net of fees)	10.0	1.2	17.7	14.9	19.5
MSCI World Index	7.5	10.7	10.4	19.5	21.2
Royal Caribbean Cruises Ltd	48.2	(17.1)	24.7	76.9	42.1
Starbucks	5.4	(6.1)	48.2	6.2	48.1
Amazon	55.9	10.9	117.8	(22.7)	59.0
Newell Brands Inc	(29.4)	3.0	17.9	19.9	48.9

Source: Davy Asset Management (Class A Acc EUR) and Bloomberg as at 28th September 2018. Performance is quoted in local currency unless otherwise stated.

Warning: Past performance is not a reliable guide to future performance.

Warning: Neither past experience nor the current situation are necessarily accurate guides to the future growth in value or rate of return of the Fund. The value of the investment can reduce as well as increase and, therefore, the return on the investment will also be variable. Changes in exchange rates may have an adverse effect on the value price or income of the product.

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The Global Brands Equity Fund is a sub-fund of Davy Funds plc, an open-ended umbrella investment company with variable capital and segregated liability between sub-funds incorporated with limited liability under the Companies Acts 2014, authorised by the Central Bank of Ireland as a UCITS pursuant to the Regulations. Davy Funds plc is authorised by the Central Bank of Ireland as an Undertaking for Collective Investment in Transferable Securities (UCITS). The Prospectus, Supplement and Key Investor Document for the fund are available in English from Davy, Davy House, 49 Dawson Street, Dublin 2, Ireland or <http://www.davyassetmanagement.com/funds/davy-ucits/important-information.html>. Investors should be aware that some of the Directors of the Company (Davy Funds plc) are also employed by the Investment Manager, Promoter and Distributor. Further information in relation to the management of potential conflicts of interest is available upon request.

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